

October 5, 2004

Dear Mr. Chairman:

Pursuant to section 135 of H.J. Res. 107 (FY 2005 Continuing Resolution), and section 2207 and other relevant provisions of the Emergency Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, FY 2004 (P.L. 108-106), attached is the fourth quarterly report on the planned use of funds made available by P.L. 108-106 under the heading Iraq Relief and Reconstruction Fund (IRRF). This report updates information contained in the report submitted on July 2, 2004, and constitutes the reprogramming notification required for the report and reallocation of funds among sectors, as further described below.

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Upon his arrival, U.S. Ambassador to Iraq John Negroponte conducted a strategic program review, in close consultation with the Iraqi Interim Government and all U.S. government implementing agencies, of the spending priorities for the \$18.4 billion in IRRF resources. The result is a plan to reallocate \$3.46 billion between sectors, focusing on improving security, increasing Iraqi employment, and supporting the democratic transition in Iraq.

Security remains the most pressing challenge facing the Iraqi Interim Government and the Coalition; an uncertain security situation affects all potential economic and political development, including private investment. Due to the increase in the number of attacks on U.S. and Iraqi security personnel and civilians, the Department of State is waiving the regular reprogramming notification procedures for the \$1.8 billion for security and law enforcement funding, pursuant to the exceptional authority of section 515 of the Foreign Operations, Export Financing and Related Programs Appropriations Act, 2004 (Division D, P.L. 108-199). This is warranted insofar as failure to waive such requirements would pose a substantial risk to human health or welfare; the information contained in this letter and attached report shall comprise the notification required with regard to such waiver.

The IRRF strategic program plan also devotes additional resources to improving economic and political environment in advance of elections, including accelerating Iraqi employment, and to relieving the nearly \$4 billion in debt the Iraqis owe the U.S. government.

The Honorable
C.W. Bill Young, Chairman,
Committee on Appropriations,
House of Representatives.

To cover the reallocation, the plan reduces funds from electricity and water sectors. This was a difficult choice. However, funds were reduced in these sectors for programs that were not scheduled to begin until mid-2005 at the earliest. We plan to work with the IIG to identify alternative funding sources for these areas, including earnings from increased oil exports and urging our international partners to contribute funding.

The Administration appreciates the Congress enacting the required legislation in the FY 2005 Continuing Resolution that will enable us to quickly implement this review.

Funds that will be used as described in this report and that were provided in the Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11) are subject to reporting provisions in section 1506 of that Act that are similar to the requirements in section 2207 of P.L. 108-106. The attached report reflects the information required by both statutory provisions.

Sincerely,

Paul V. Kelly
Assistant Secretary for
Legislative Affairs

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The Honorable
Ted Stevens, Chairman,
Committee on Appropriations,
United States Senate.

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The Honorable
Jim Kolbe, Chairman,
Committee on Appropriations,
Subcommittee on Foreign Operations, Export Financing,
and Related Programs,
House of Representatives.

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The Honorable
Mitch McConnell, Chairman,
Committee on Appropriations,
Subcommittee on Foreign Operations,
United States Senate.

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Paul V. Kelly
Assistant Secretary for
Legislative Affairs

October 5, 2004

Dear Mrs. Lowey:

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The Honorable
Nita Lowey,
Committee on Appropriations,
Subcommittee on Foreign Operations, Export Financing,
and Related Programs,
House of Representatives.

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October 5, 2004

Dear Mr. Obey:

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The Honorable
David Obey,
Committee on Appropriations,
House of Representatives.

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Dear Senator Leahy:

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The Honorable
Patrick J. Leahy,
Committee on Appropriations,
Subcommittee on Foreign Operations,
United States Senate.

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